

Our core values defining the path to success

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Samba Bank Limited

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Samba Bank Limited
Quarterly Report September 30, 2012

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Company Information

Board of Directors	Syed Sajjad Razvi Mr. Zaki Abdulmohsen Al-Mousa Mr. Beji Tak - Tak Dr. Shujaat Nadeem Mr. Farhat Abbas Mirza Mr. Humayun Murad Mr. Javed Iqbal Mr. Zahid Zaheer Mr. Tawfiq A. Husain	Chairman Director Director Director Director Director Director President & CEO
Board Audit Committee	Mr. Javed Iqbal Mr. Beji Tak - Tak Mr. Zahid Zaheer	Chairman Member Member
Board Risk Committee	Mr. Beji Tak - Tak Syed Sajjad Razvi Mr. Humayun Murad Mr. Tawfiq A. Husain	Chairman Member Member Member
Board Nomination & Remuneration Committee	Mr. Beji Tak - Tak Dr. Shujaat Nadeem Mr. Humayun Murad	Chairman Member Member
President & Chief Executive Officer	Mr. Tawfiq A. Husain	
Company Secretary	Ms. Saïma Kamila Khan	
Auditors	A. F. Ferguson & Co.	Chartered Accountants
Legal Advisors	Mohsin Tayebaly & Co.	Advocates & Legal Consultants
Head Office & Registered Office	6 th Floor, Sidco Avenue Centre, M.D.M. Wafai Road, Karachi	
Share Registrar	Famco Associates (Pvt.) Limited 1 st Floor, State Life Building No. T-A, I.I. Chundrigar Road, Karachi - 74000	
Help Line	11 11 SAMBA (72622)	
Website	www.samba.com.pk	
Credit Rating by JCR-VIS	Medium to Long Term Short Term	AA- (AA Minus) A-1 (A-One)

Our Branch Network

Currently, SBL has a network of 28 branches located in 8 major cities across the country.



KARACHI
 Bahria
 Bahadurabad
 Clifton
 DHA Ittehad
 DHA Phase VI
 Fountain
 Gulshan-e-Iqbal
 Hyderi
 Rashid Minhas
 S.I.T.E.
 Shakra-e-Faisal

LAHORE
 Mall Road
 DHA
 Gulberg
 Circular Road
 Allama Iqbal Town
 Sarwar Road
 Cavalry Ground
 Garden Town

ISLAMABAD / RAWALPINDI
 F-10
 F-7
 Razia Sharif Plaza
 Rawalpindi Cantt.

GUJRANWALA
 G.T. Road

FAISALABAD
 Liaquat Road

MULTAN
 Nusrat Road

SIALKOT
 Paris Road

PESHAWAR
 Saddar Road

Directors' Report



On behalf of the Board of Directors, I would like to present the Directors' Review of Samba Bank Limited along with the interim condensed financial information for the nine months ended September 30, 2012.

Performance Review

The financial highlights of your bank for the nine months period ended September 30, 2012 under review are summarized below:

	For the Period Ended Sep 30, 2012	For the Period Ended Sep 30, 2011
	(Rupees in million)	
Profit before taxation	160.662	157.196
Taxation charge / (reversal)	(83.570)	82.380
Profit after taxation	244.230	74.816
Earnings per share - (Rupees)	0.17	0.05

	Sep 30, 2012	Dec 31, 2011
	(Rupees in million)	
Total assets	32,787	31,331
Investments	10,692	9,664
Advances	13,730	15,831
Deposits	20,890	17,669
Paid up capital & reserves	8,417	8,173
Surplus on revaluation of assets - net of tax	44	9

Your bank continued to build on its financial performance during the nine months period under review and generated profit before tax of Rs. 160.66 million, as compared to profit before tax of Rs. 157.19 million for the corresponding period of last year. Profit after tax increased to Rs. 244.23 million, showing an increase of Rs. 169.41 million or 226% over the corresponding period of last year; this was mainly due to a tax reversal



amounting to Rs. 175.75 million. As a result, EPS of your bank increased to Rs. 0.17 as compared to Rs. 0.05 in the corresponding period of 2011.

Your bank posted net mark-up income of Rs. 1,027.50 million, as against Rs. 1,055.62 million in the corresponding period of last year. Lack of growth in net markup income was primarily due to the impact of reduction in SBP discount rate by 3% from September 2011 to September 2012. However, fee, commission and brokerage income increased to Rs. 53.45 million showing an increase of 11.55%, compared to the corresponding period of last year. Your bank also generated Rs. 22.21 million gain on sale of securities. Overall non mark-up income registered a decline of 23% over the corresponding period of last year, as there was a one off large capital gain, on the disposal of property, of Rs. 38 million during the corresponding period of last year. Your bank continued to efficiently manage administrative expenses and, in spite of high inflation, registered a minor increase of 2.4% over the corresponding period of last year. Furthermore, through relentless efforts, your bank was able to make recoveries / reversals of Rs. 117 million from the legacy bad portfolio, which was higher by Rs. 90 million from the corresponding period of 2011.

While your Bank remained focused on its strategy of improving the mix of deposits with emphasis on CASA, the overall deposits of your Bank grew to Rs. 20.9 billion as of September 2012, as compared to Rs. 17.7 billion in December 2011, showing an impressive growth of just over 18% during the nine month period. Investments increased by Rs. 1 billion showing a growth of 10.65% over December 2011, while advances reduced by 13.27% from December 2011, to Rs. 13.7 billion in September 2012, largely due to cyclical/seasonal repayments and low credit demand. Provisions on advances decreased by Rs. 85 million showing a decrease of 3% as compared to December 2011. Total assets of the bank increased by Rs. 1.5 billion, over December 2011, to Rs. 32.8 billion.

Credit Rating

JCR-VIS Credit Rating Agency upgraded the medium to long term credit rating of the bank from A+ to AA- (Double A Minus) and reaffirmed its short term rating A-1 (A One). The outlook on the above rating has

also been confirmed as stable. The ratings denote very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

This is a major achievement for your Bank which has now been upgraded in three consecutive years. As a result of the hard work of your bank's management and support and guidance of your Board and the regulators, your bank is now clearly recognized as one of Pakistan's strong and stable banks.

Future Outlook

Given the prevailing economic and business environment of the country, your Bank would continue with its strategy of stable and sustained growth through its robust risk management and control processes. Meanwhile, focus would remain on improving the deposit mix and optimizing operational efficiencies. Improving service quality standards and providing state of the art banking services, through product innovation, would remain one of our key focus areas.

Acknowledgment

I wish to thank State Bank of Pakistan and Securities & Exchange Commission of Pakistan for their valuable guidance and support. The Board acknowledges the continued support of its customers, shareholders and other stakeholders. I also wish to place on record my sincere appreciation of the dedicated services and contribution made by the members of the staff for the overall performance of and progress by the Bank.

On behalf of Board of Directors,

Tawfiq A. Husain
President & Chief Executive Officer

October 23, 2012
Karachi



**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2012**

ASSETS

Cash and balances with treasury banks
Balances with other banks
Lendings to financial institutions
Investments - net
Advances - net
Operating fixed assets
Deferred tax assets - net
Other assets

LIABILITIES

Bills payable
Borrowings from financial institutions
Deposits and other accounts
Sub-ordinated loans
Liabilities against assets subject to finance lease
Deferred tax liabilities
Other liabilities

NET ASSETS

REPRESENTED BY:

Share capital
Reserves
Accumulated losses

Surplus on revaluation of assets - net of tax

CONTINGENCIES AND COMMITMENTS

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Note	2012	2011
	(Un-audited) September 30	(Audited) December 31
(Rupees in thousand)		
	1,686,602	1,463,306
	115,647	59,384
	2,944,987	803,459
9	10,692,418	9,663,613
10	13,730,186	15,831,327
11	861,444	903,608
	1,350,197	1,436,135
	<u>1,405,658</u>	<u>1,170,140</u>
	32,787,139	31,330,972
	239,461	529,005
12	2,086,766	3,996,032
13	20,889,861	17,669,297
	-	-
	-	-
	-	-
	<u>1,109,726</u>	<u>954,371</u>
	24,325,814	23,148,705
	<u>8,461,325</u>	<u>8,182,267</u>
	14,334,734	14,334,734
	139,228	90,383
	<u>(6,056,962)</u>	<u>(6,252,347)</u>
	8,417,000	8,172,770
	44,325	9,497
	<u>8,461,325</u>	<u>8,182,267</u>
14		

President and Chief Executive Officer

Chairman

Director

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2012

Note	Quarter ended		Nine Months ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
	(Rupees in thousand)			
Mark-up / return / interest earned	794,203	897,027	2,314,343	2,466,625
Mark-up / return / interest expensed	451,651	529,532	1,286,840	1,411,006
Net mark-up / return / interest income	342,552	367,495	1,027,503	1,055,619
(Reversal) / Provision against loans and advances - net	(4,182)	(7,301)	(47,253)	(29,218)
Provision for diminution in the value of investments- net	(10,000)	-	(10,000)	-
Bad debts written-off directly / (recoveries against debts written-off)	(412)	(196)	(3,834)	(1,157)
	(14,594)	(7,497)	(61,087)	(30,375)
Net mark-up / return / interest income after provisions	357,146	374,992	1,088,590	1,085,994
Non mark-up / interest income				
Fee, commission and brokerage income	15,633	14,170	53,448	47,914
Dividend income	-	175	-	611
Income from dealing in foreign currencies	17,566	7,967	24,707	31,514
Gain on sale of securities	19,578	3,592	22,211	9,417
Unrealised gain / (loss) on revaluation of investments classified as held for trading	(226)	89	(516)	-
Other income	954	29	4,003	45,894
Total non mark-up / interest income	53,505	26,022	103,853	135,350
	410,651	401,014	1,192,443	1,221,344
Non mark-up / interest expenses				
Administrative expenses	369,132	335,127	1,085,850	1,060,809
(Reversal of provision) / Other provisions / write offs- net	8	(500)	(55,957)	3,302
Worker's welfare fund	(961)	-	830	-
Other charges	157	-	1,058	37
Total non mark-up / interest expenses	368,336	334,627	1,031,781	1,064,148
	42,315	66,387	160,662	157,196
Extraordinary items	-	-	-	-
Profit before taxation	42,315	66,387	160,662	157,196
Taxation - Current year	(3,609)	9,298	12,057	27,505
- Prior years	(165,892)	-	(165,892)	-
- Deferred	27,254	22,674	70,265	54,875
	(142,247)	31,972	(83,570)	82,380
Profit after taxation	184,562	34,415	244,230	74,816
Earnings per share - Basic & Diluted (Rupees)	0.13	0.02	0.17	0.05

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

President and Chief Executive Officer

Chairman

Director

Director



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2012

	Quarter ended		Nine Months ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
	(Rupees in thousand)			
Profit for the period	184,562	34,415	244,230	74,816
Other Comprehensive income	-	-	-	-
Total comprehensive income for the period	184,562	34,415	244,230	74,816
Components of comprehensive income / (loss) not reflected in equity				
Surplus on revaluation of available for sale financial assets - net of tax	43,190	43,455	34,828	29,464
	<u>227,752</u>	<u>77,870</u>	<u>279,058</u>	<u>104,280</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

President and Chief Executive Officer

Chairman

Director

Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation
Less: Dividend income

Adjustments for non-cash charges:

Depreciation
Amortization
Reversal against loans and advances - net
Surplus on revaluation of investment held for trading
Reversal of provision for diminution in the value of investment
Tangible assets written off
Gain on sale of operating fixed assets
Gain on sale of securities
Reversal of provisions against bad and doubtful other assets
Other Provisions / (Reversals) / Write Offs

(Increase) / decrease in operating assets

Lendings to financial institutions
Held for trading securities
Advances
Other assets (excluding advance & current taxation)

Increase/ (decrease) in operating liabilities

Bills payable
Borrowings from financial institutions
Deposits and other accounts
Other liabilities

Income tax paid

Net cash flows from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments in securities
Dividend received
Investment in operating fixed assets
Proceeds from sale of fixed assets
Net cash flows from investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash flows from financing activities

Increase / (decrease) in cash and cash equivalents

Cash and cash equivalents at beginning of the period
Cash and cash equivalents at end of the period

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

	2012	2011
	Nine Months ended September 30	Nine Months ended September 30
	(Rupees in thousand)	
	160,662	157,196
	-	(611)
	160,662	156,585
	82,539	122,710
	4,443	4,000
	(47,253)	(29,218)
	516	-
	(10,000)	-
	3,711	-
	(2,562)	(44,057)
	(22,211)	(9,417)
	-	(1,750)
	(55,957)	3,302
	(46,774)	45,570
	113,888	202,155
	(2,141,528)	25,567
	(2,940,533)	-
	2,148,395	(392,849)
	(74,222)	(14,448)
	(3,007,888)	(381,730)
	(289,544)	(6,848)
	(1,909,266)	(2,186,755)
	3,220,564	2,016,476
	211,315	(208,239)
	1,233,069	(385,366)
	(1,660,931)	(564,941)
	(7,461)	(3,906)
	(1,668,392)	(568,847)
	1,993,920	(469,806)
	-	611
	(52,050)	(58,441)
	6,081	60,402
	1,947,951	(467,234)
	-	-
	279,559	(1,036,081)
	1,522,690	2,445,959
	1,802,249	1,409,878

President and Chief Executive Officer

Chairman

Director

Director



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

	Share capital	Capital reserve	Statutory reserve	Accumulated losses	Total
(Rupees in thousand)					
Balance as at January 01, 2011	14,334,734	20,935	22,145	(6,441,559)	7,936,255
Comprehensive income for the period ended September 30, 2011	-	-	-	74,816	74,816
Balance as at September 30, 2011	14,334,734	20,935	22,145	(6,366,743)	8,011,071
Comprehensive income for the Quarter ended December 31, 2011	-	-	-	161,699	161,699
Transfer to statutory reserve	-	-	47,303	(47,303)	-
Balance as at December 31, 2011	14,334,734	20,935	69,448	(6,252,347)	8,172,770
Comprehensive income for the period ended September 30, 2012	-	-	-	244,230	244,230
Transfer to Statutory Reserve	-	-	48,845	(48,845)	-
Balance as at September 30, 2012	14,334,734	20,935	118,293	(6,056,962)	8,417,000

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

President and Chief Executive Officer

Chairman

Director

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2012

1 STATUS AND NATURE OF BUSINESS

Samba Bank Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank is listed on all the stock exchanges of Pakistan. Its principal and registered office is located at 6th Floor, Sidco Avenue Centre, Maulana Deen Muhammad Wafai Road, Karachi. The Bank is a subsidiary of SAMBA Financial Group of Saudi Arabia, which holds 80.68% shares of the Bank as at September 30, 2012 (2011: 80.68%). The Bank operates 28 branches (December 31, 2011: 28 branches) inside Pakistan.


Based on the financial statements of the Bank for the year ended December 31, 2011, the JCR-VIS has determined the Bank's medium to long-term rating as AA- (stable outlook) and the short-term rating as A-1.

2 BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the Banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

3 STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, or the directives issued by the SECP and the SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the requirements of the said directives prevail.
- 3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.3 SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised) 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the Surplus / (Deficit) on Revaluation of Available for Sale (AFS) Securities only, may be included in the 'Statement of Comprehensive Income'. Accordingly, the above requirements have been adopted in the preparation of this condensed interim financial information.



3.4 The disclosures made in this condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard 34, 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2011.

4 BASIS OF MEASUREMENT

This condensed interim financial information has been prepared under the historical cost convention except that certain investments, foreign currency balances and commitments in respect of foreign exchange contracts and derivative financial instruments have been marked to market and are carried at fair value.

5 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in this condensed interim financial information are measured using the currency of the primary economic environment in which the Bank operates. This condensed interim financial information is presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation of balances adopted in the preparation of this condensed interim financial information are same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2011.

7 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in this condensed interim financial information are same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2011.

8 FINANCIAL RISK MANAGEMENT

The Bank's Financial Risk Management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended December 31, 2011.

9 INVESTMENTS

Note

	September 30, 2012 (Un-audited)			December 31, 2011 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
(Rupees in thousand)						
Held for trading securities	2,940,533	-	2,940,533	-	-	-
Available for sale securities	7,500,788	-	7,500,788	8,785,997	683,535	9,469,532
Held to maturity securities	305,575	-	305,575	309,747	-	309,747
Associates	103,383	-	103,383	103,381	-	103,381
	10,850,279	-	10,850,279	9,199,125	683,535	9,882,660
Provision for diminution in the value of investments	(223,471)	-	(223,471)	(234,676)	-	(234,676)
Deficit on revaluation held for trading securities	(516)	-	(516)	-	-	-
Surplus on revaluation of available for sale securities	66,127	-	66,127	14,148	1,481	15,629
Investments-net	10,692,418	-	10,692,418	8,978,597	685,016	9,663,613
9.1 Held for trading securities						
Market Treasury Bills	2,311,528	-	2,311,528	-	-	-
Pakistan Investment Bonds	629,005	-	629,005	-	-	-
	2,940,533	-	2,940,533	-	-	-
9.2 Available-for-sale securities						
Market Treasury Bills	6,661,028	-	6,661,028	8,123,938	683,535	8,807,473
Pakistan Investment Bonds	695,792	-	695,792	506,885	-	506,885
Ordinary shares and certificates - listed	84,612	-	84,612	85,818	-	85,818
Ordinary shares - unlisted	59,356	-	59,356	59,356	-	59,356
Preference shares - listed	-	-	-	10,000	-	10,000
	7,500,788	-	7,500,788	8,785,997	683,535	9,469,532
9.3 Held-to-maturity securities						
Pakistan Investment Bonds	305,575	-	305,575	309,747	-	309,747
9.4 Associates						
Ordinary shares - listed	103,383	-	103,383	103,381	-	103,381

9.5 Particulars of provision for diminution in the value of investments

Opening balance	
Charge for the period / year	
Reversals on disposal made during the period / year	
Provision written off during the period / year	
Closing balance	

10 ADVANCES - NET

Loans, cash credits, running finances, etc.	
- In Pakistan	
Net Investment in finance lease	
- In Pakistan	
Bills discounted and purchased (excluding government treasury bills)	
- Payable in Pakistan	
- Payable outside Pakistan	
Advances gross	
Less: Provision for loans and advances	
- Specific provision	
- General provision	

Note

	2012	2011
	(Un-audited) September 30	(Audited) December 31
(Rupees in thousand)		
	234,676	240,729
	-	-
	(11,205)	(6,053)
	-	-
	<u>223,471</u>	<u>234,676</u>
	15,513,118	17,697,032
	463,668	471,753
	133,572	175,362
	78,119	30,758
	<u>16,188,477</u>	<u>18,374,905</u>
	(2,452,191)	(2,532,178)
	(6,100)	(11,400)
	<u>(2,458,291)</u>	<u>(2,543,578)</u>
	<u>13,730,186</u>	<u>15,831,327</u>

10.2

10.1 Advances include Rs 2,515.803 million (December 31, 2011: Rs. 2,619.410 million) which have been placed under non-performing status as detailed below:

Category of classification

Substandard
Doubtful
Loss

September 30, 2012 (Un-audited)				
Classified Advances		Total	Provision Required	Provision Held
Domestic	Overseas			
(Rupees in thousand)				
11,799	-	11,799	2,872	2,872
-	-	-	-	-
<u>2,504,004</u>	<u>-</u>	<u>2,504,004</u>	<u>2,449,319</u>	<u>2,449,319</u>
<u>2,515,803</u>	<u>-</u>	<u>2,515,803</u>	<u>2,452,191</u>	<u>2,452,191</u>

Category of classification

Substandard
Doubtful
Loss

December 31, 2011 (Audited)				
Classified Advances		Total	Provision Required	Provision Held
Domestic	Overseas			
(Rupees in thousand)				
37,316	-	37,316	9,248	9,248
-	-	-	-	-
<u>2,582,094</u>	<u>-</u>	<u>2,582,094</u>	<u>2,522,930</u>	<u>2,522,930</u>
<u>2,619,410</u>	<u>-</u>	<u>2,619,410</u>	<u>2,532,178</u>	<u>2,532,178</u>

10.2 The general provision has been made against consumer financing portfolio as required by the Prudential Regulations issued by the SBP.

		2012	2011
		(Un-audited) September 30	(Un-audited) September 30
		(Rupees in thousand)	
11	OPERATING FIXED ASSETS		
	Additions during the period - including transfers from capital work-in-progress (at cost)	64,360	86,712
	Disposals during the period (at cost)	6,031	24,610
12	BORROWINGS FROM FINANCIAL INSTITUTIONS		
	Secured		
	Borrowings from SBP under export refinance scheme	2,015,231	2,345,231
	Borrowings from SBP under LTFF	49,199	68,878
	Repurchase agreement borrowings	-	684,587
		2,064,430	3,098,696
	Unsecured		
	Call money borrowings	-	875,000
	Bankers Equity Limited (under liquidation)	22,336	22,336
		22,336	897,336
		2,086,766	3,996,032
13	DEPOSITS AND OTHER ACCOUNTS		
	Customers		
	Fixed deposits	10,950,967	8,483,471
	Savings deposits	4,282,724	4,401,589
	Current accounts - non-remunerative	5,079,529	4,316,574
	Others - non-remunerative	44,639	39,903
		20,357,859	17,241,537
	Banks and Financial Institutions		
	Remunerative deposits	424,058	388,027
	Non-remunerative deposits	107,944	39,733
		532,002	427,760
		20,889,861	17,669,297
14	CONTINGENCIES AND COMMITMENTS		
14.1	Direct credit substitutes		
	Favouring government	400,000	400,000
	Favouring Banks and other financial institutions	289,270	172,654
	Favouring others	237,480	5,391,776
		926,750	5,964,430



14.2 Transaction-related contingent liabilities /commitments

Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring

- Government
- Favouring Banks and other financial institutions
- Others

14.3 Trade-related contingent liabilities

Favouring Banks and other financial institutions
Favouring others

14.4 Other Contingencies

Claims against the Bank not acknowledged as debt

14.5 Contingencies in respect of taxation

The Income tax department has raised a demand of Rs. 426.787 million for the assessment years 1995-96, 1996-97, 1999-00, 2001-02, 2002-03 on account of non-deduction of tax on profit paid under portfolio management scheme, interest paid on foreign currency deposits and certificates of investment. The department has also raised further demand of Rs. 645.337 million for assessment years 1999-00, 2000-01 to assessment year 2002-03 and tax year 2006 on account of taxability of investment banks as banking companies and taxation of dividend income as normal banking income, lease rentals received or receivable, lease key money and certain other items. The aforementioned relates to pending assessments of the Bank and amalgamated entities namely Crescent Investment Bank Limited, Trust Investment Bank Limited and Pakistan Industrial Leasing Corporation.

Presently, the bank is contesting these issues at various appellate forums. The disallowances in respect of a number of assessment years have been decided / set aside by various appellate authorities for re-assessment while the bank's appeal in respect of the remaining assessment years are currently pending. Based on the professional advice received from tax advisors, the management is confident that the eventual outcome of the aforementioned matters will be in favour of the bank. Accordingly, no provision has been made in these financial statements in respect of the above mentioned demands of Rs. 1,072.124 million raised by the income tax authorities.

2012	2011
(Un-audited) September 30	(Audited) December 31
(Rupees in thousand)	
2,341,707	416,050
-	-
<u>28,442</u>	<u>31,046</u>
<u>2,370,150</u>	<u>447,096</u>
-	-
<u>4,597,681</u>	<u>4,171,259</u>
<u>4,597,681</u>	<u>4,171,259</u>
<u>161,733</u>	<u>161,733</u>

14.6 Commitments to extend credit

The bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

14.7 Commitments in respect of forward foreign exchange contracts

	2012 (Un-audited) September 30	2011 (Audited) December 31
(Rupees in thousand)		
Purchase	3,986,759	10,387,618
Sale	3,510,682	8,846,821

14.8 Capital Commitments

Commitments for capital expenditure as at September 30, 2012 amounted to Rs. 19.386 million (December 31, 2011: Rs. 18.799 million).

15 EARNINGS PER SHARE - Basic & Diluted

Profit after taxation attributable to ordinary shareholders

	Quarter ended		Nine months ended	
	2012 (Un-audited) September 30	2011 (Un-audited) September 30	2012 (Un-audited) September 30	2011 (Un-audited) September 30
(Rupees in thousand)				
	184,562	34,415	244,230	74,816

Weighted average number of shares outstanding during the period

	Number of Shares			
	1,433,473,414	1,433,473,414	1,433,473,414	1,433,473,414

Earnings per share - Basic & Diluted

	Rupees			
	0.13	0.02	0.17	0.05

16 RELATED PARTY TRANSACTIONS

The bank has related party relationship with its holding company, associates, employee contribution plan, its directors and key management personnel.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk. Transactions with the executives are undertaken at terms in accordance with employment agreements and services rules and includes disbursement of advances on terms softer than those offered to the customers of the bank.

Contributions to the contributory provident fund scheme are made in accordance with the terms of the contribution plan. Remuneration to the executives are determined in accordance with the term of their employment.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the bank. The bank considers all members of their management team, including the Chief Executive Officer and Directors to be key management personnel.

Details of transactions / balances with related parties are given below:

	September 30, 2012 (Un-audited)				December 31, 2011 (Audited)			
	Key management personnel	Parent Company	Associates	Others	Key management personnel	Parent Company	Associates	Others
(Rupees in thousand)								
BALANCE OUTSTANDING - GROSS								
Advances								
At January 01	66,438	-	41,500	-	62,798	-	45,500	-
Given during the period / year	1,404	-	-	-	16,390	-	-	-
Repaid during the period / year	(29,097)	-	(10,000)	-	(6,217)	-	(4,000)	-
Adjustments	(13,534)	-	-	-	(6,533)	-	-	-
At September 30 / December 31	25,211	-	31,500	-	66,438	-	41,500	-
Provision held against advances	-	-	31,500	-	-	-	41,500	-
Deposits								
At January 01	128,537	-	3,222	16,149	133,707	-	3,222	122,679
Received during the period / year	450,708	-	-	524,898	532,545	-	-	247,953
Withdrawn during the period / year	(471,380)	-	-	(535,434)	(538,995)	-	-	(354,483)
Adjustments	767	-	-	-	1,280	-	-	-
At September 30 / December 31	108,632	-	3,222	5,614	128,537	-	3,222	16,149
Others								
Guarantees	-	15,385	3,733	-	-	38,463	3,733	-
Provision against guarantees	-	-	3,733	-	-	-	3,733	-
Balances in nostro accounts	-	10,248	-	-	-	14,880	-	-
Investment in shares	-	-	103,383	-	-	-	103,381	-
Sundry receivables	-	-	32,791	-	-	-	32,791	-
Mark-up income suspended	-	-	32,791	-	-	-	32,791	-
Sundry payable / (Receivable)	-	(5,694)	-	-	-	83,596	-	-
Group service cost	-	177,032	-	-	-	115,065	-	-
Other liabilities	-	-	5,000	-	-	-	5,000	-
Balances in vostro accounts	-	77,771	-	-	-	30,970	-	-
Provision against diminution in the value of investments	-	-	98,383	-	-	-	98,383	-

	Nine Months Ended September 30, 2012 (Un-audited)				Nine Months Ended September 30, 2011 (Un-audited)			
	Key management personnel	Parent Company	Associates	Others	Key management personnel	Parent Company	Associates	Others
	(Rupees in thousand)							
Transactions for the period								
Remuneration and benefits	113,911	-	-	-	116,966	-	-	-
Directors fee	4,709	-	-	-	3,034	-	-	-
Comission on guarantee	-	177	-	-	-	94	-	-
Counter confirmation charges on guarantees	-	5,055	-	-	-	9,867	-	-
Mark-up / return / interest expense	4,228	-	-	428	7,237	-	-	5,151
Mark-up / return / interest income	1,310	-	-	-	1,893	-	-	-
Disposal of fixed assets	1,100	-	-	-	537	-	-	-
Group service cost	-	61,967	-	-	-	12,471	-	-

17 BUSINESS SEGMENTS

The segment analysis with respect to business activity is as follows:

Particulars	Nine Months Ended September 30, 2012 (Un-audited)					Total
	Corporate finance	Trading & sales	Retail banking	Commercial banking		
	(Rupees in thousand)					
Total income (net of interest expense and provisions)	3,500	143,322	642,516	459,062		1,248,400
Total operating expenses	(10,204)	(87,013)	(773,536)	(216,985)		(1,087,738)
Net (loss) / income (before tax)	(6,704)	56,309	(131,020)	242,077		160,662

Particulars	Nine Months Ended September 30, 2011 (Un-audited)					Total
	Corporate finance	Trading & sales	Retail banking	Commercial banking		
	(Rupees in thousand)					
Total income (net of interest expense and provisions)	5,000	167,259	652,487	393,296		1,218,042
Total operating expenses	(8,293)	(98,191)	(732,678)	(221,684)		(1,060,846)
Net (loss) / income (before tax)	(3,293)	69,068	(80,191)	171,611		157,195



As at September 30, 2012 (Un-audited)					
Particulars	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
(Rupees in thousand)					
Segment assets	11,602	16,660,934	2,024,728	16,900,483	35,597,748
Segment non-performing loans	-	-	660,997	1,854,806	2,515,803
Segment provision held	-	(229,488)	(647,142)	(1,933,979)	(2,810,609)
Segment liabilities	82	17,829	18,013,563	6,294,342	24,325,814
As at December 31, 2011 (Audited)					
Particulars	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
(Rupees in thousand)					
Segment assets	15,660	12,734,953	2,429,780	19,034,915	34,215,308
Segment non-performing loans	-	-	706,725	1,912,685	2,619,410
Segment provision held	-	(238,894)	(669,754)	(1,975,688)	(2,884,336)
Segment liabilities	308	1,613,426	14,760,017	6,774,954	23,148,705

18 GENERAL

Figures have been rounded off to the nearest thousand rupees.

19 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 23, 2012 by the Board of Directors of the bank.

President and Chief Executive Officer

Chairman

Director

Director